

**SAMPLE
USE YOUR AGENCY LETTERHEAD**

M E M O R A N D U M

TO: (Employee)

FROM: Insurance Coordinator

DATE: (Insert)

SUBJECT: **Notice to Active Employees Age 65 and Over**

This letter is to inform an active employee nearing the age of 65 or an employee 65 or older, of his/her health insurance options upon becoming eligible for Medicare. Any individual age 65 or older (and his/her spouse age 65 or older) who has current employment status is entitled to the same benefits under the employer's group health plan, under the same conditions as any such individual (or his/her spouse) under age 65.

The Medicare Secondary Payer rules specify when a group health plan must pay primary and when it may pay secondary if an individual is covered under both a group health plan and Medicare. The rules also provide that employers may not offer individuals entitled to Medicare financial or other incentives to opt out of employer-provided group health coverage, and they prohibit certain actions that "take into account" an individual's Medicare entitlement.

Employer-sponsored group health insurance offered to current workers, regardless of Medicare status, is generally the primary payer for individuals covered through their own or a spouse's *current* employment.

MEDICARE

You will receive information regarding Medicare enrollment approximately three months prior to your 65th birthday. Medicare is divided into two main parts, which differ in terms of benefits, eligibility, and administration. Part A is the hospital insurance program. Part B is the supplementary medical insurance program, covering physicians' services and other health care expenses. In addition, individuals who are entitled to these Parts of Medicare may also be eligible for the Medicare Advantage program (Part C) or for certain prescription drug benefits (Part D).

If you are eligible for Medicare Part A, the coverage will be free and enrollment will be automatic. Medicare Part B is **not** free and enrollment is not automatic. You are encouraged to contact your local Social Security office to determine your eligibility for these programs.

KENTUCKY EMPLOYEES HEALTH PLAN (KEHP)

Your Medicare eligibility or enrollment does not affect your eligibility to continue coverage with the KEHP as long as you continue to meet the eligibility requirements as an employee. However, your eligibility to participate in the Kentucky Retirement System(s) Medicare Supplement (KERS/CERS, Judicial or Legislative Retirement) plan will be affected.

Under the Medicare Secondary Payer (“MSP”) statute, employer group health plans, like the KEHP, must pay primary to Medicare for employees who are eligible for the employer’s group health plan (“GHP”) coverage by reason of their “current employment status.” *See* 42 U.S.C. § 1395y(b); 42 C.F.R. § 411.100(a)(1)(i). If an employee retires and then returns to work, and the retiree works enough hours to qualify for coverage (avg. 100 hours/month) under the employer’s group health plan for active employees, federal regulations require the employer to treat the retiree as an active employee for purposes of the MSP rules:

A reemployed retiree or annuitant who is covered by a GHP and who performs sufficient services to qualify for coverage on that basis (that is, other employees in the same category are provided health benefits) is considered covered “by reason of current employment status” even if: (1) The employer provides the same GHP coverage to retirees; or (2) The premiums for the plan are paid from a retirement or pension fund. *See* 42 C.F.R. § 411.172(d).

Thus, as Medicare eligible full-time active employee, you may not maintain Kentucky Retirement System(s) Medicare Supplement (KERS/CERS, Judicial or Legislative Retirement) plan. Rather, you must elect: **1)** KEHP health plan (i.e. Optimum PPO, Capital Choice); **2)** the “waiver” HRA offered by the KEHP; **or 3)** no state coverage and only maintain Medicare coverage. If an active employee chooses to participate in any group health plan (KEHP health plan or “waiver” HRA) maintained by the employer, the employer’s group health plan must pay primary to Medicare.

EMPLOYEE OPTIONS

- A. **Health Insurance:** Since you will be eligible to participate in Medicare and the KEHP, you should compare the cost of each, the benefits of each and make your decisions based upon your needs.

You may choose Medicare Parts A & B as your only source of coverage and waive your state sponsored health insurance. There is a monthly premium for Medicare Part B.

You may choose not to enroll in Medicare Part B and continue in the KEHP. You may delay enrollment in Medicare Part B until a later date, however, you will

need to contact your local Social Security office regarding the Special Enrollment requirements, including dates.

Contact your local Social Security office or check the Centers for Medicare/Medicaid Services website to obtain all the information necessary to make your decisions.

B. Waiver HRA: New Employees age 65 or who will be 65 upon the effective date of their KEHP insurance coverage have a choice to be covered by their active employer through KEHP or through their benefit under Medicare.

C. Waiver No HRA.

If you have questions, contact your Insurance Coordinator or the Enrollment Branch at 502-564-1205.